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April 25, 2006

VIA HAND DELIVERY

Charles L. A. Terreni, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: Application of Midlands Utility, Inc. Requesting Approval of a Contract for the Transfer and Sale of Certain of Its Sewerage Collection Systems within Lexington County, South Carolina to the City of Cayce

Dear Mr. Terreni:

Enclosed please find for filing an original and 10 copies of the Application of Midlands Utility, Inc. Requesting Approval of a Contract for the Transfer and Sale of Certain of Its Sewerage Collection Systems within Lexington County, South Carolina to the City of Cayce. Also enclosed is a proposed Notice of Filing. Last, enclosed is a Certificate of Service on the Office of Regulatory Staff in the above matter. I have enclosed an extra copy of each of these, which I would ask you to date stamp and return to me via my courier.

In as much as this transfer of service to the City of Cayce is a matter of considerable public interest, we respectfully request expedited consideration and hearing by the Commission.

Please do not hesitate to contact me, if you have any questions or if I may provide you with any additional information.

Sincerely,

ELLIOTT & ELLIOTT, P.A.


- Scott Elliott

SE/jcl

Enclosures

cc: Danny C. Crowe, Esq. w/enc.
Julie F. McIntyre, Esq. w/enc.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET No.: 2006-125-S

IN RE:

Application of Midlands Utility, Inc.)
Requesting Approval of a Contract for)
the Transfer and Sale of Certain of Its)
Sewerage Collection Systems within)
Lexington County, South Carolina to)
the CITY OF CAYCE.)

APPLICATION FOR
APPROVAL OF CONTRACT

INTRODUCTION

Pursuant to SC Code Ann. Section 58-5-210 (1976), and SC Code Ann., Regs. R 103-503, 103-504 and 103-541, Midlands Utility, Inc. ("Midlands" or "Applicant") does hereby request that the South Carolina Public Service Commission ("Commission") determine whether a contract for the transfer and sale of certain of its sewer systems located in Lexington County, South Carolina to the City of Cayce, South Carolina ("Cayce") is in the public interest and if in the public interest to authorize Midlands to comply with the terms required by the contract. Applicant would show as follows:

MIDLANDS

1. Midlands is a South Carolina closely held corporation which owns, operates and maintains certain wastewater treatment facilities and sewer systems serving commercial and residential customers in Fairfield, Lexington, Orangeburg and Richland Counties.

2. Midlands is a public utility subject to the jurisdiction of this Commission.

3. Midlands' wastewater treatment facilities and sanitary sewer systems affected by this application serve Bellemeade Subdivision, PITT Stop & Maggie Mays Restaurant, Charwood Subdivision, Sawgrass Hiltons, Rockford Place Subdivision, Parkwood Subdivision, Timberland Subdivision, Montclair Subdivision, New Hope Subdivision, Westgate Subdivision, Stonewood Subdivision, Darby Place Subdivision, Foxglen Subdivision, Six Mile Creek Interceptor Phase I & II, Six Mile Creek Interceptor Phase III, Arbogate Subdivision, Mallard Trace Subdivision, Harvest Glen (U.S. Highway 1 System), Spring Hill Patio Homes (Pineridge System) and Belmont Estates Subdivision, all in Lexington County.

CITY OF CAYCE

4. The City of Cayce is a political subdivision of the State of South Carolina and is authorized to provide sanitary sewer service on a residential, commercial and wholesale basis.

5. Cayce currently provides sanitary sewer service to Midlands on a wholesale basis under terms and conditions set out by court order.


CONTRACT

6. For valuable consideration, Midlands and Cayce have entered an agreement for the sale and transfer of certain of Midlands' wastewater treatment facilities and sanitary sewer systems under the terms and conditions more fully set forth in the Agreement between Midlands and Cayce which is attached hereto as Exhibit "1" and incorporated herein by reference.

7. Further, Midlands has agreed to transfer and sell and Cayce has agreed to buy, that part of its wastewater treatment facilities and sanitary sewer systems set out in

Exhibit 1 together with and including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage systems, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such systems which utilities easements have been reserved, and including sub-systems served and all of the related wastewater facilities, land, wastewater treatment contracts, customer contracts and customers' account receivables, deposits but only for the areas stated hereinabove and used for the respective sewer systems (together hereinafter "Transferred Systems").

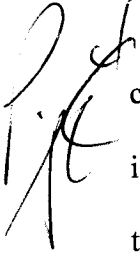
8. The transfer contemplated, after regulatory approvals, will be a final transfer and sale of the Transferred Systems and Cayce will assume all liability for the ownership and operation of the Transferred Systems of the areas described hereinabove. The Agreement of the parties does not create a joint venture by the parties but calls for a final transfer and sale to be closed subject to the determination required by this Commission.



9. The transfer and sale contemplated herein will be carried out in accordance with, and subject to the Regulations of the Commission, and in coordination with the Office of Regulatory Staff (ORS) and the South Carolina Department of Health and Environmental Control (DHEC). Specifically, Midlands will fully comply with all Commission Regulations related to accounts and deposits of the customers within the Transferred Systems.

10. Midlands and Cayce will cooperate and strive to ensure that the sale and transfer to Cayce will not unduly inconvenience the customers of the transferred systems as to their respective sewer service.

11. Midlands is informed and believes that the sale and transfer will be in the public interest. First, those customers served by the Transferred Systems will be assured continuity of service at a reasonable and fair cost. Moreover, Cayce currently has the requisite technical ability and sufficient capacity in its sewer treatment system to adequately serve the customers of the Transferred Systems and Midlands is informed and believes that Cayce would concur that the public interest will be served by the sale and transfer. See letter of Avery B. Wilkerson, Jr., Mayor of the City of Cayce, to the South Carolina Public Service Commission dated April 4, 2006, attached hereto as Exhibit "2" and incorporated herein by reference.



12. Based upon the foregoing, Midlands would respectfully submit that this contract for the transfer and sale of certain of the transferred systems to the City of Cayce is in the public interest, and Midlands is therefore informed and believes that it is entitled to an order of this Commission approving the contract.

13. All communications concerning this Application may be directed to:

Company Representative:

Keith G. Parnell
President
Midlands Utility, Inc.
Post Office Box 258
316 East Main Street
Lexington, SC 29072

Legal Representatives:

Scott Elliott
Charles H. Cook
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205
(803)771-0555

WHEREFORE, Midlands respectfully prays that this Commission, after public notice, conduct a formal hearing on this Application and,

A. determine that the contract between Midlands and City of Cayce is in the public interest; and,

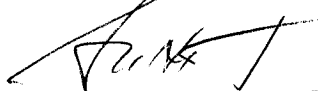
B. approve the contract for the transfer and sale of certain of Midlands' sewerage collection systems within Lexington County, South Carolina to the City of Cayce, and

C. grant such other and further relief as this Commission deems fit and proper.



Respectfully submitted,

ELLIOTT & ELLIOTT, P.A.



Scott Elliott, Esquire
Charles H. Cook, Esquire
Elliott & Elliott, PA
721 Olive Street
Columbia, SC 29202
803-771-0555 (P)
803-771-8010 (F)

Columbia, South Carolina

April 25, 2006

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET No.: _____

IN RE:

Application of Midlands Utility, Inc.)
Requesting Approval of a Contract for)
the Transfer and Sale of Certain of Its)
Sewerage Collection Systems within)
Lexington County, South Carolina to)
the CITY OF CAYCE.)

EXHIBIT 1

***PURCHASE AGREEMENT
FOR TRANSFERRED SYSTEMS
BETWEEN
CITY OF CAYCE, SOUTH CAROLINA,
AND
MIDLANDS UTILITY, INC.
DATED AS OF SEPTEMBER 21, 2005***

PURSUANT TO S. C. CODE §15-48-10 ET SEQ., AS AMENDED FROM TIME TO TIME, THIS AGREEMENT IS SUBJECT TO BINDING ARBITRATION

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT dated to be effective as of September 21, 2005 (the "Effective Date") between **CITY OF CAYCE, SOUTH CAROLINA**, a body politic and corporate and a political subdivision of the State of South Carolina ("Buyer") and **MIDLANDS UTILITY, INC.**, a South Carolina corporation ("Seller"), a public utility regulated by the South Carolina Public Service Commission and the South Carolina Department of Health and Environmental Control.

A. Seller is engaged in the business of owning and operating wastewater systems and treatment facilities at various locations in several midland counties in the State of South Carolina, specifically including the County of Lexington.

B. Seller desires to sell, assign and transfer, and Buyer desires to purchase and acquire, certain wastewater collection systems described in Schedule 2.1 hereto in "As-Is Condition", legally and physically as defined herein (collectively, the "Transferred Systems"), such sale specifically including only the collection systems and related facilities and not any treatment facilities, all on the terms and conditions set forth herein.

C. At Buyer's sole option and election, Seller has agreed to construct the Bellemeade Pump Station, Force Main and related facilities to connect the Transferred Systems to Buyer's existing sanitary sewer system and, upon Buyer's election pursuant to the terms of this Agreement, Buyer has agreed to purchase these facilities from Seller upon issuance of SCDHEC's Permit to Operate said facilities, all on the terms and conditions set forth herein.

D. Seller shall continue to own and operate its remaining wastewater collection systems and treatment facilities that are not sold to Buyer.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1. Defined Terms

1.1 Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Agreement" means this Agreement and includes all of the schedules and exhibits annexed hereto.

"As Is Condition" means: (1) that all assets sold and transferred by the terms of this Agreement shall pass to Buyer in the legal and physical condition that they exist when title transfers with special warranty or quitclaim conveyance documentation as Seller and Buyer mutually agree is adequate for such transfer based upon (i) the quality of title held by Seller as acknowledged by Buyer and (ii) Buyer's due diligence prior to transfer of title; (2) the Real Property and Personal Property included within the Transferred Systems shall nevertheless be free of all debt, judgments, tax liens or other Encumbrances created by Seller, except for those nonmonetary Encumbrances which are a matter of public record and; (3) to the extent any part of the title to the Transferred Systems purchased hereunder is

deficient (*e.g.*, lack of titled deeds, assignments or record evidence), Seller hereby commits in good faith to assist Purchaser in the acquisition of such evidences of title or interest prior to the Closing Dates set forth herein subject to best efforts and information available.

"Business Day" means any day that is not a Saturday, Sunday or statutory holiday in the State of South Carolina.

"Closing" means the closing of the purchase and sale of the Transferred Systems contemplated by this Agreement.

"Closing Date" means, subject to the terms hereof, the earlier of (i) one hundred eighty (180) days from the effective date of this Agreement [as may be extended by Buyer or Seller for up to sixty (60) calendar days upon prior written notice to the other party stating the reason for the extension], (ii) five (5) Business Days after the satisfaction or waiver of the conditions as set forth in Section 6 hereof, or (iii) such other date as is mutually acceptable to Buyer and Seller.

"Encumbrance" means any lien, pledge, option, charge, easement, security interest, right-of-way or similar restriction or encumbrance; however, it does not mean an obligation defined under Governmental Permit.

"Governmental Permit" means any franchise, consent, license, marketing right, permit, authorization, approval or other operating authority issued by any governmental or regulatory body, including without limitation, South Carolina Department of Health and Environmental Control ("SCDHEC") and the South Carolina Public Service Commission ("PSC").

"Liabilities" means, subject to the provisions of the As-Is Condition set forth above, all liabilities or obligations of Seller relating to the Transferred Systems of whatever nature, whether known or unknown, absolute or contingent, including without limitation (i) any liabilities or obligations of Seller with respect to any debt, lease, liability or trade payable, (ii) any Taxes, including any Taxes resulting from the transactions contemplated hereby, and (iii) any liabilities, costs or obligations arising under environmental and safety requirements related to any condition in existence prior to the Closing Date.

"Losses" means, subject to the provisions of the As-Is Condition set forth above, any and all damages, costs, liabilities, losses, judgments, penalties, fines, expenses or other costs (including reasonable attorney's fees, costs of defense and costs of collection).

"Seller Financial Information" means all of the customer account information and financial information related to the Transferred Systems, specifically including, without limitation, customer ledger cards for the past five (5) years, all customer lists, all customer account information relating to all security deposits, prepaid accounts and current, scheduled and aged account receivables relating to the Transferred Systems, and all other customer books and records, electronic and otherwise which are related to the Transferred Systems possessed by or reasonably obtainable by Seller or reasonably made available by Seller.

"Taxes" means any tax based upon, or measured by, income, gain or gross receipts, and any sales, use, ad valorem, transfer, franchise, withholding, payroll, employment, excise, occupation, premium, property, intangibles or other taxes (including any interest or penalties or additional amounts imposed by any tax authority).

"Transferred Systems" means the sewerage collection systems to be sold and conveyed to Buyer pursuant to the terms and conditions of this Agreement as more specifically described in Section 2.1 below in As-Is Condition.

Section 2. Purchase and Sale of Transferred Systems; Sale of Bellemeade Pump Station Facilities.

2.1 Transferred Systems. Subject to the terms, exceptions and conditions set forth in this Agreement or to the schedules attached hereto, Seller shall sell, transfer, convey, assign and deliver to Buyer, and Buyer shall purchase and acquire from Seller, on the Closing Date, all of the assets of Seller relating to the Transferred Systems described on Schedule 2.1, of any nature whatsoever, in **As-Is Condition**, free and clear of all Encumbrances and Liabilities, which specifically include, without limitation:

(a) All of real property (including all fee simple and easement interests) comprising the Transferred Systems (collectively, the "Real Property") subject to As-Is Condition; rights of the state and local governments in public rights-of-way and other public places (*i.e.*, sewer facilities located in public road rights-of-way); and rights in easements and rights-of-way reserved to and/or shared with others (*i.e.*, utility and right-of-way easements reserved in subdivision developments);

(b) As related to the Transferred Systems, all pumps, pipes, manholes, valves, controls and connections and other equipment and all spare parts; all software required to operate the Transferred Systems; all leasehold improvements; all customer account agreements; all Seller Financial Information; and other items of tangible personal property comprising and concerning any part of the Transferred Systems, including without limitation, those items set forth on Schedule 2.1 and (collectively, the "Tangible Personal Property"), subject to As-Is Condition and limitations on any existing equipment warranties or maintenance contracts;

(c) As related to the Transferred Systems, all intangible property related to or used in connection with the operation of the Transferred Systems, including without limitation, any actions, demands, judgments, or claims (collectively, "Intangible Personal Property" and sometimes with the "Tangible Personal Property, the "Personal Property");

(d) All permits, consents, contracts, agreements and authorizations relating to or used in connection with the operation of the Transferred Systems, to the extent they are transferable (collectively, the "Governmental Permits"); and

(e) Cash and cash equivalents arising from the operation of the Transferred Systems existing on the Closing Date, including without limitation, all customer security deposits, all customer prepayments, and all subsequent collections of customer accounts receivable over thirty (30) days old ("Aged Accounts Receivable") relating to the Transferred Systems (collectively, the "Cash"). Cash specifically excludes all current billed account receivables less than thirty (30) days old but includes all Aged Accounts Receivable.

As to the Real Property and the Personal Property, title shall be conveyed in accordance with the As-Is Condition provisions of this Agreement and subject to the matters set forth on the schedules hereto and only such other exceptions as Buyer deems acceptable in its sole discretion.

2.2 Special Terms Affecting Conveyance of Bellemeade Subdivision and PITT Stop and Maggie May's Restaurant and Bellemeade Pump Station Facilities. The Transferred Systems specifically include the customer service area and facilities described in A and B of Schedule 2.1 hereof. At Buyer's option and election with notice given to Seller prior to the Closing Date, Seller will also construct and

convey the Bellemeade Pump Station Facilities (as defined in Section 2.3 below) to service the area described in A and B of Schedule 2.1 in accordance with the provisions of this Section 2; provided, however, that Seller and Buyer acknowledge and agree that, upon Buyer's election, in addition to the Purchase Price, Buyer shall pay to Seller the sum of One Hundred Seventy Thousand Dollars (\$170,000.00) which is the agreed upon costs of constructing the Bellemeade Pump Station Facilities (the "Bellemeade Pump Station Facilities Cost") which will be placed into an Escrow Account (as defined below), paid in accordance with the terms of the Escrow Agreement (as defined below), and the title to the Bellemeade Pump Station Facilities will be transferred to Buyer at a date subsequent to the Closing Date, all as set forth below in this Section 2.

2.3 Buyer's Election for Seller to Design and Construct Bellemeade Pump Station Facilities. Prior to the Closing Date, Buyer, in its sole discretion, shall determine if Buyer desires Seller to construct the Bellemeade Pump Station Facilities (as defined below). Upon Buyer's election and notice to Seller, the following terms shall apply:

(a) Seller and Buyer acknowledge and agree that Seller shall design and construct or be responsible hereunder to Buyer for the design and construction of a 220 gpm pump station with equipment, force main and such other related sewer facilities (collectively, "Bellemeade Pump Station Facilities") as shall be required to connect the Bellemeade Sewer Collection System, PITT Stop and Maggie May's Restaurant described as A and B in Schedule 2.1 hereof to Buyer's existing sanitary sewer system at a location to be determined by Buyer.

(b) Seller shall construct such facilities in accordance with the plans and specifications prepared by HPG and Company or such other engineering company approved by Buyer and Seller (the "Base Plan").

(c) Seller will cause the Base Plan to be timely prepared and presented to Buyer for Buyer's written approval, and Buyer shall have the right to expand upon the Base Plan as deemed necessary by Buyer to meet its service needs. The costs associated with any expansion of the Bellemeade Pump Station Facilities beyond the Base Plan and which exceed the Bellemeade Pump Station Facilities Cost shall be paid solely by Buyer.

(d) After Buyer's written approval is given to the Base Plan, as amended (the "Final Plans"), no changes may be made in the Final Plans without the written approval of Seller and Buyer.

(e) Seller and Buyer agree to work diligently to complete the Final Plans so that construction the Bellemeade Pump Station Facilities by Seller shall begin within thirty (30) days after the Closing of the sale of the Transferred Systems and shall be completed within six (6) months of the Closing.

(f) The Bellemeade Pump Station Facilities shall be constructed and the easements necessary to connect these facilities to Buyer's existing sanitary sewer system shall be placed at locations designated by Buyer and acceptable to Seller, which locations shall be agreed upon before the completion of the Final Plans.

(g) Upon (i) completion of the construction of the Bellemeade Pump Station Facilities in accordance with the Final Plans and inspection and approval by Buyer's representatives and (ii) within ten (10) days of SCDHEC's issuance of a Permit to Operate Bellemeade Pump Station Facilities, Buyer shall issue a letter to Seller formally accepting the Bellemeade Pump Station Facilities for ownership, operation and maintenance and Seller will, transfer the Bellemeade Pump Station Facilities, together with the real property on which the Bellemeade Pump Station Facilities is located and

any necessary easements to connection such facilities to Buyer's existing sanitary sewer system, to Buyer (the "Bellemeade Closing Date").

(h) Upon such transfer on the Bellemeade Closing Date, (i) the Escrow Agent will deliver the Bellemeade Pump Station Facilities Cost to Seller and (ii) Buyer shall pay directly to Seller any additional costs due based upon the Final Plans in full payment of Buyer's obligations hereunder. Seller and Buyer agree to share equally in the costs associated with the transfer of the Bellemeade Pump Station Facilities and related property transfers, including without limitation, the costs of surveys necessary to complete this conveyance, documentation preparation and recording fees.

(i) Seller shall have no obligation to purchase any tap fee or capacity fee in order to obtain a construction permit from SCDHEC or to connect the Bellemeade Service Area (as defined in Section 2.4 below) or the Bellemeade Pump Station Facilities to the Buyer's existing sanitary sewer system.

2.4 Continued Operation of Bellemeade Wastewater Treatment Facilities and Bellemeade Subdivision Remediation.

(a) Although the customer service area and facilities of the Bellemeade Sewer Collection System, PITT Stop and Maggie May's Restaurant described as A and B in Schedule 2.1 hereof which are to be served by the Bellemeade Pump Station Facilities (collectively, the "Bellemeade Service Area") shall be transferred to Buyer on the Closing Date, Seller, at Seller's sole cost, shall continue to operate the existing Bellemeade Wastewater Treatment Facilities ("BWWTF") so that the BWWTF will continue to provide wastewater treatment for all wastewater from the Bellemeade Service Area from the Closing Date until, based upon the prior election of Buyer, either (i) the Bellemeade Pump Station Facilities have been connected to Buyer's existing sanitary sewer system and have been transferred to Buyer in accordance with the provisions of Section 2.3 above or (ii) the connecting sanitary sewer collection facilities that may be constructed by Buyer have been connected to Buyer's existing sanitary sewer system. At Closing, Buyer shall deposit Fourteen Thousand Four Hundred Dollars (\$14,400.00) with Escrow Agent (the "BWWTF Operation Payment") which represents the cost of the operation of the BWWTF for six (6) months, and Buyer agrees to the disbursement by Escrow Agent of the sum of \$2,400.00 per month (the "Monthly Payment") in payment of the treatment of the wastewater from the Bellemeade Service Area during the period that the BWWTF continues in operation for the Bellemeade Service Area; provided, further, the six month operational period may be extended by mutual agreement of the parties with the continued Monthly Payment being paid directly by Buyer to Seller. Upon timely delivery of a monthly statement to Buyer and Escrow Agent, Escrow Agent shall be authorized to pay the Monthly Payment to Seller by the 25th day of each month.

(b) Should the SCDHEC Permit to Operate the Bellemeade Pump Station Facilities be issued before the funds held in escrow for BWWTF Operation Payment have been paid in full, then the balance of the funds held to pay the Monthly Payment shall be prorated and paid to Buyer. If the design, construction or receipt of the SCDHEC Permit to Operate is delayed as a result of Buyer's failure to review and approve plans, specifications, construction or by any other act or failure to act in a timely manner by Buyer, then Buyer will pay to Seller for operation of the BWWTF the Monthly Fee for such extended period together with any cost, fine or penalty Seller may incur if such delay results in a violation of any Permit condition, Consent Order, or Administrative Order of SCDHEC for failure to terminate the BWWTF beyond the payment of the BWWTF Operation Payment. If such delays are the fault of Seller, then Seller shall bear the cost of operating the BWWTF during such extended period, and Buyer may pursue such remedies as may be available at law or in equity against Seller for all damages resulting from Seller's failure to timely construct the Bellemeade Pump Station Facilities, including reasonable attorney's fees.

(c) Seller and Buyer acknowledge that Seller is subject to that certain NPDES Permit No. SC0030988 (the "NPDES Permit") and Consent Order 03-044W between Seller and SCDHEC (the "Consent Order") which concerns violations arising from Seller's operation and maintenance of the wastewater treatment facility serving the Bellemeade Service Area. Copies of the NPDES Permit and the Consent Order are attached hereto as Schedule 2.4. After the Bellemeade Closing Date, Seller agrees to take immediate steps to comply with the Consent Order and to closeout the BWWTf in accordance with SCDHEC Regulation 61-28 and any other related applicable regulations. Seller and Buyer acknowledge and agree that Seller will terminate and close-out the BWWTf in accordance with state and federal laws and regulations, Consent Order No. 03-044W, Seller's NPDES Permit and such other applicable laws and regulations of the state and federal governments. Seller shall bear all cost and all responsibility for the termination of the BWWTf and its closeout. The land on which the BWWTf is located is not being sold or transferred to Buyer with the exception of such real property used to house the Bellemeade Pump Station Facilities and necessary easements for ingress and egress to such facilities.

2.5 Purchase Price and Funds Deposited into Escrow Account.

(a) Purchase Price. As provided in this Agreement, the purchase price (the "Purchase Price") for the Transferred Systems and the Bellemeade Pump Station Facilities is Four Million Three Hundred Thousand (\$4,300,000.00) which shall be paid by or on account of Buyer as follows: (i) pay Twenty-Five Thousand Dollars (\$25,000.00) (the "Earnest Money Deposit") to an escrow agent mutually agreed upon by the parties (the "Escrow Agent") within two (2) Business Days of the full execution of this Agreement to be applied to the Purchase Price; and (ii) pay Four Million Two Hundred Seventy-Five Thousand Dollars (\$4,275,000.00) in collected or certified funds to Seller at Closing (the "Cash Payment") plus the Earnest Money Deposit at Closing.

(b) Bellemeade Pump Station Facilities Cost. If Buyer elects to have Seller construct the Bellemeade Pump Station Facilities in accordance with the provisions of Section 2.2 above, Buyer shall deposit One Hundred Seventy Thousand Dollars (\$170,000.00) into a non-interest-bearing escrow account (the "Escrow Account") with the Escrow Agent to be held in escrow pursuant to the terms and conditions of an escrow agreement containing the terms outlined in this Agreement (the "Escrow Agreement") in form and content acceptable to the parties, which sum is full payment to Seller of the Bellemeade Pump Station Facilities and associated real property and easements.

(c) BWWTf Operation Payment. In accordance with the provisions of Section 2.4 above, Buyer shall deposit Fourteen Thousand Four Hundred Dollars (\$14,400.00) into the Escrow Account with Escrow Agent to be held in escrow pursuant to the terms and conditions of the Escrow Agreement.

2.6 Closing Date for Transferred Systems. The Closing of all of the Transferred Systems except for the Bellemeade Pump Station Facilities to be constructed shall take place on the Closing Date at the offices of Turner, Padgett, Graham & Laney, P.A. at 10:00 a.m. local time, or at such other place or at such other time or manner as Buyer and Seller shall agree. At Closing, the parties hereto shall make the deliveries described below, subject to the exceptions set forth in this Agreement and the schedules attached hereto, provided that the obligation of each to do so shall depend upon the performance by the other party of its obligations hereunder:

(a) In accordance with and subject to the As-Is Condition provisions of this Agreement, Seller shall execute and deliver to Buyer all documents that Buyer's counsel determines are reasonably necessary to complete the proper transfer of the Transferred Systems, including the following: (i) a special warranty or quitclaim deed, bill of sale and such other instruments of transfer and conveyance shall be effective to vest in Buyer good and marketable title to the Real Property, the Personal Property,

and the Governmental Permits held by Seller free and clear of all Encumbrances and Liabilities, all in form and content reasonably acceptable to Buyer; (ii) the Escrow Agreement; (iii) any consents required to the transfer of the Transferred Systems, which consents shall be in form and substance reasonably satisfactory to Buyer; (iv) Certificate of Tax Compliance issued by the South Carolina Department of Revenue; (v) Certificate of Existence issued by the South Carolina Secretary of State; (vi) corporate resolution authorizing the sale of the Transferred Systems; and (vii) such other documents as may be reasonably necessary to consummate the transactions contemplated hereby, which documents shall be in form and substance reasonably satisfactory to Buyer's legal counsel.

(b) Buyer shall execute and/or deliver to Seller the following: (i) transfer of immediately available funds in the amount of the Purchase Price (including the Earnest Money Deposit) less the funds deposited into the Escrow Account pursuant to the Escrow Agreement and any adjustment to the Purchase Price provided for in this Agreement; (ii) the Escrow Agreement; and (iii) such other documents as may be reasonably necessary to consummate the transactions contemplated hereby, which documents shall be in form and substance reasonably satisfactory to Seller. Buyer shall deliver such funds to the Escrow Agent at Closing as are necessary to fulfill its obligations pursuant to Section 2.4 above.

2.7 Closing Date for Bellemeade Pump Station Facilities. If Buyer has as elected to have Seller construct the Bellemeade Pump Station Facilities, the closing shall take place on the Bellemeade Closing Date at the offices of Turner, Padgett, Graham & Laney, P.A. at 10:00 a.m. local time, or at such other place or at such other time or manner as Buyer and Seller shall agree. On the Bellemeade Closing Date, the parties hereto shall cause to be made the payment of funds in accordance with the terms of this Agreement and the deliveries described below, provided that the obligation of each to do so shall depend upon the performance by the other party of its obligations hereunder:

(a) Seller shall execute and deliver to Buyer all documents that Buyer's counsel determines are reasonably necessary to complete the proper transfer of the Bellemeade Pump Station Facilities, including the following: (i) a limited warranty deed, bill of sale and such other instruments of transfer and conveyance as shall be effective to vest in Buyer good and marketable title to Bellemeade Pump Station Facilities, and the Governmental Permits held by Seller free and clear of all Encumbrances and Liabilities, all in form and content reasonably acceptable to Buyer in As-Is Condition to the extent applicable (the parties recognize that certain construction warranties will apply to newly constructed facilities and such applicable warranties shall be assigned to Buyer); (ii) any consents required to the transfer of the Bellemeade Pump Station Facilities, which consents shall be in form and substance reasonably satisfactory to Buyer; (iii) Certificate of Tax Compliance issued by the South Carolina Department of Revenue; (iv) Certificate of Existence issued by the South Carolina Secretary of State; (v) corporate resolution authorizing the sale of the Bellemeade Pump Station Facilities; and (vi) such other documents as may be reasonably necessary to consummate the transactions contemplated hereby, which documents shall be in form and substance reasonably satisfactory to Buyer's legal counsel.

(b) Buyer shall execute and deliver to Seller such documents as may be reasonably necessary to consummate the transactions contemplated hereby, which document shall be in form and substance reasonably satisfactory to Seller, and Escrow Agent shall disburse the funds related to the design, construction and transfer of the Bellemeade Pump Station Facilities pursuant to Section 2.3 herein pursuant to the terms of the Escrow Agreement.

Section 3. Representations and Warranties of Seller

Seller represents and warrants to Buyer, as of the date hereof and the Closing Date, as follows:

3.1 Organization and Authorization. Seller is a corporation duly organized and existing in good standing under the laws of the State of South Carolina. Seller has all requisite corporate power and authority to enter into the transaction documents and to perform fully its obligations hereunder and thereunder. The execution and delivery of the transaction documents and the performance by Seller of its obligations hereunder and thereunder have been duly and validly authorized by all necessary corporate action. This Agreement is, and when executed and delivered in accordance with this Agreement, each other transaction document will be, a valid and binding obligation of Seller.

3.2 Consents and Approvals. Except as set forth on Schedule 3.2, no filings with, notices to, or approvals of any governmental or regulatory body are required to be obtained or made by Seller in connection with the consummation of the transactions contemplated hereby.

3.3 No Violations. The execution and delivery of the transaction documents and the performance by Seller of its obligations hereunder and thereunder do not and will not conflict with or violate any provision of the charter or bylaws of Seller. Except as set forth on Schedule 3.3, the execution and delivery of the transaction documents and the performance by Seller of its respective obligations hereunder and thereunder do not and will not (a) conflict with or result in a breach of the terms, conditions or provisions of, (b) constitute a default under, (c) result in the creation of any Encumbrance upon the Transferred Systems pursuant to, (d) give any third party the right to modify, terminate or accelerate any obligation under, (e) result in a violation of, or (f) require any authorization, consent, approval, exemption or other action by or notice to any court or administrative or governmental body or other third party pursuant to, in each case, any law, statute, rule or regulation to which Seller and its business (and specifically the Transferred Systems) are subject, or any agreement, instrument, order, judgment or decree to which Seller and its business (and specifically the Transferred Systems) are subject or by which any of the Transferred Systems is bound.

3.4 Seller Financial Information. All of the Seller Financial Information existing as of April 30, 2004 was given to Buyer's accountants, and it fairly presents, in all material respects, the financial condition of Seller's business relating to the Transferred Systems and its customer account information as of April 30, 2004.

3.5 Title to Assets. Seller has good and marketable title to the Transferred Systems held by Seller free and clear of all Encumbrances and Liabilities subject to the As-Is Condition provisions of the Agreement and except as otherwise set forth in Schedule 3.5 attached hereto.

3.6 Insurance. Attached hereto as Schedule 3.6 is a list and an accurate description of all policies of insurance that are held or maintained by or for the benefit of Seller as of the date hereof which relates to the Transferred Systems (including policy numbers, nature of coverage, limits, deductibles, carriers, premiums and effective and termination dates). To Seller's knowledge, Seller has complied with each of such policies and has not failed to give any notice or present any known claim thereunder. Seller has not received, and to Seller's knowledge, no event or omission within the control of Seller has occurred, which is likely to cause Seller to receive notice that any such policies will be canceled or will be reduced in amount or scope.

3.7 Compliance with Laws. Except as set forth in the attached schedules, Seller has operated its business (and specifically the Transferred Systems) in compliance in all material respects with all applicable laws and regulations of governmental authorities, including with respect to environmental laws and Tax laws. To Seller's knowledge, Seller possesses, and is in compliance in all material respects with, all Governmental Permits necessary to the operation of its business and specifically the Transferred Systems.

3.8 Litigation. Except as set forth in Schedules 3.8 and 5.10 attached hereto, there are no claims, actions, suits, approvals, investigations, informal objections, complaints or proceedings pending before any court, arbitrator or administrative, governmental or regulatory authority or body with respect to Seller or its business, relating to Seller or its business nor is Seller or its business subject to any order, judgment, writ, injunction or decree.

3.9 Customer Lists. Schedule 3.9 sets forth a complete list of all customers served by the Transferred Systems as of the date of this Agreement. The list includes customer contact information and security deposits and delinquencies, if any, in form and content reasonably acceptable to Buyer. To Seller's knowledge, except as identified on Schedule 3.9, neither Seller nor any other party to any such contract, agreement or instrument, is in default of the terms thereof.

3.10 Contracts. Schedule 3.10 sets forth a list of each contract, agreement or instrument (written or oral) to which Seller is a party with respect to the Transferred Systems as of the date of this Agreement which are in Seller's possession. True and correct copies of each such written contract, agreement and instrument shall be timely provided to Buyer. Except for delinquencies relating to customer service agreements which are identified on Schedule 3.9, to Seller's knowledge, neither Seller nor any other party to any such contract, agreement or instrument, is in default of the terms thereof..

3.11 No Adverse Effects or Changes. Except as listed on Schedule 3.11, since April 30, 2004, (A) Seller's business has not: (i) suffered any effect, or circumstance involving a prospective effect, on Seller's business, operations, assets, liabilities, results of operations, cash flows, customers or other conditions (financial or otherwise) which is materially adverse to the Transferred Systems, or (ii) suffered any substantial damage, destruction or loss to any of its assets or properties (whether or not covered by insurance), which damage, destruction, or loss is materially adverse to the Transferred Systems and (B) there has not been any removal of the Transferred Systems from the location at which the Transferred Systems were placed prior to such date.

3.12 Description and Location of Transferred Systems. Schedule 2.1 sets forth an accurate list of the location of each Transferred System presently in operation and as shown on the Sewerage System Map attached to this Agreement as Schedule 3.12.

3.13 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from Buyer in connection with the transactions contemplated by this Agreement. Seller agrees to fully indemnify Buyer from any claim or loss from any brokerage fee.

3.14 Disclosure. No information supplied by Seller in connection with the transaction documents or in the other writings furnished by Seller or any of its representatives in connection with the transactions contemplated hereby contains any untrue statement of material fact or omits to state any material fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.

3.15 Threat of Eminent Domain. Buyer acknowledges that Seller desires to structure the sale of the Property as an involuntary conversion pursuant to IRC Section 1033. Buyer confirms that Buyer intends to use the Property for a public purpose which is the provision of wastewater collection and treatment. Buyer agrees to cooperate with Seller to give effect to the IRC Section 1033 treatment so long as Buyer incurs no expense or liability. Seller agrees that Buyer has made no statements, representations or warranties as to the tax treatment for this sale and that Seller has not relied on any statements, representations or warranties as to any tax treatment.

Section 4. Representations and Warranties of Buyer

Buyer represents and warrants to Seller as follows:

4.1 Organization and Authorization. Buyer is a body politic and a political subdivision of the State of South Carolina. Buyer has all requisite power and authority to enter into this Agreement and to assume and perform fully its obligations hereunder. The execution and delivery of the transaction documents and the performance by Buyer of its obligations thereunder have been duly and validly authorized by all necessary action. This Agreement is, and when executed and delivered in accordance with the terms hereof the other transaction documents will be, a valid and binding obligation of Buyer enforceable in accordance with its terms.

4.2 Consents and Approvals. By execution of this Agreement, Buyer represents that its obligations hereunder have been approved by the City Council of the City of Cayce. No filings with, notices to, or approvals of any governmental or regulatory body are required to be obtained or made by Buyer for the consummation by Buyer of the transactions contemplated hereby.

Section 5. Additional Agreements of One of Both of the Parties

5.1 Conduct of Operation of the Transferred Systems. From the date hereof to the Closing Date, except as expressly contemplated by this Agreement or otherwise consented to by Buyer in writing, Seller shall (i) operate the Transferred Systems only in the usual, regular and ordinary course in substantially the same manner as heretofore operated, including as to the manner and frequency of collections customers using the Transferred Systems, (ii) maintain all of the Tangible Personal Property comprising the Transferred Systems in good repair, order and condition consistent with the normal use and life expectancy thereof and subject to ordinary wear and tear and damage caused by unavoidable casualty, (iii) keep in full force and effect insurance comparable in amount and scope of coverage to insurance now carried with respect to Seller's business, (iv) not create or suffer to exist any Encumbrance on the Transferred Systems except as disclosed in this Agreement, and (v) permit Buyer's representatives to contact Seller's customers and to meet with Seller's employees or representatives who service Transferred Systems and accompany such persons to locations at which Transferred Systems have been placed in connection with regular service calls made by such representatives.

5.2 Efforts to Consummate Transaction. Buyer and Seller shall use their respective commercially reasonable and timely efforts to take or cause to be taken all such actions required to consummate the transactions within the time frames contemplated herein, including, without limitation, such actions as may be necessary to obtain, prior to Closing, all necessary governmental or other third-party approvals and consents required to be obtained in connection with the consummation of the transactions contemplated by this Agreement.

5.3 Expenses. Except as otherwise specifically provided in this Agreement, each party agrees to bear its own expenses incurred in connection with the transactions contemplated hereby; provided that any taxes or similar taxes owing as a result of the transactions contemplated hereby shall be borne by Seller.

5.4 Access to Information. From the date hereof to the Closing Date, Seller shall, and shall cause its officers, directors, employees and agents to, afford Buyer and Buyer's representatives complete access at all reasonable times upon reasonable notice to Seller's officers, employees, agents, properties, books, records and contracts as they shall relate to the Seller's business with the Transferred Systems and shall furnish Buyer all financial, operating and other data and information as Buyer may reasonably request with respect to Seller's business related to the Transferred Systems including, but not limited to,

updated Seller Financial Information as of this date, the Closing Date and subsequent thereto. Upon reasonable notice, Buyer and its representatives shall have the right to enter Seller's business at anytime and from time to time for the purpose of conducting its due diligence investigations, and such rights shall continue after and shall specifically survive the Closing Date if such investigation is reasonably necessary for Buyer to confirm or verify customer or financial information relating to the Transferred Systems.

5.5 Bulk Sales Laws. Buyer hereby waives compliance by Seller with the provisions of any applicable state bulk transfer statutes. In order to induce Buyer to waive such compliance, Seller covenants and agrees to pay and discharge when due all rightful claims of creditors which are asserted against Buyer arising as a result of the sale of Transferred Assets.

5.6 Transfer of Customer Accounts and Information; Prorations and Adjustments.

(a) At Closing, all customer security deposits, prepaid accounts and Aged Account Receivables relating to the Transferred Systems shall be paid to or transferred to Buyer in full without proration or adjustment. At Closing, Seller shall provide Buyer with a list of all customer security deposits, prepaid accounts, and Aged Account Receivables.

(b) Prior to Closing, except in good faith in the ordinary course of business, Seller shall not apply any customer security deposits to pay outstanding customer Aged Account Receivables or take such other action that adversely affects the Seller Financial Information. At Closing, Seller shall provide Buyer with a list of all customer security deposits which have been applied to unpaid bills, if any.

(c) The meters for the Transferred Systems' accounts that Seller has with Buyer for sewerage collection and treatment service will be read by Buyer within three (3) Business Days of the Closing Date, and Seller shall pay such amounts due Buyer at Closing and effective as of the Closing Date.

(d) Seller acknowledges that Buyer, as a political subdivision, is not required to pay real and personal property taxes and assessments. Seller shall, therefore, be responsible for the payment of all real and personal property taxes and assessments as of the Closing Date and shall pay to Buyer at Closing such amounts due from Seller for such items based upon actual invoices or estimates based upon the most recent paid receipts. All rents, utilities and other current lienable charges, if any, relating to the Transferred Systems shall otherwise be prorated between Seller and Buyer, as appropriate, as of the Closing Date, and the amount of the Purchase Price to be paid by Buyer to Seller at Closing shall be adjusted accordingly. Seller shall be responsible for any special assessments assessed or levied against the Transferred Systems prior to the Closing Date.

(e) The parties acknowledge and agree that it is the specific intent of this Section 5.6 that Seller retain the right to collect all payment from accounts that are scheduled to be collected in the billing cycle within thirty (30) days immediately prior to the Closing Date and all Aged Accounts Receivable shall be transferred to Buyer.

5.7 Transfer Taxes and Fees. Seller shall pay any realty transfer taxes required to be paid as a result of the transfer or assignment of the Transferred Systems. Seller further shall pay any sales or other transfer taxes required to be paid as a result of the transfer or assignment of any of the Transferred Systems pursuant to this Agreement.

5.8 Information Relating to Real Property. Seller shall promptly provide Buyer with all deeds, easements, title work, title policies, surveys, matters and such other documents evidencing Seller's ownership of the Transferred Systems.

5.9 Additional Documents/Receipt of Funds by Seller. At any time and from time to time after the Closing Date, upon request by Buyer, Seller shall do, execute, acknowledge and deliver, or shall cause to be done, executed, acknowledged and delivered, all such further acts, bills of sale, assignments, titles, transfers, conveyances and assurances as may be reasonably required by Buyer for more specifically assigning, transferring, granting, conveying, assuring and confirming to Buyer (or its successors and assigns), or for the aiding and assisting in the collection and reducing to possession of, the Transferred Systems. Seller also agrees, from time to time, to deliver to Buyer any sum or property which shall be received by Seller in respect of any of the Transferred Systems, which is subject to transfer under this Section 5.

5.10 Existing Legal Action. At or promptly after Closing, Seller and Buyer agree to take such action as may be necessary to dismiss with prejudice the existing legal actions involving one or more of the parties as set forth on Schedule 5.10 provided that all parties to the actions agree to dismiss the actions with prejudice without charge, cost or fee to Seller or Buyer.

5.11 Noncompetition. Seller specifically acknowledges and agrees that Seller is receiving valuable consideration for Buyer's purchase of the Transferred Systems and the customers who receive service therefrom. Seller, therefore, agrees that, for a period of five (5) years from the Closing Date, Seller will not, singularly, jointly, or as a member, partner, joint venturer, stockholder, director, owner or agent for any person or entity (i) purchase any new operating sewerage collection and treatment systems in the areas served by the Transferred Systems or (ii) seek to expand its presently existing sewerage collection and treatment systems so as to in any capacity, compete with Buyer in any way with regard to the business of operating sewerage collection and treatment systems in the areas served by the Transferred Systems.

Section 6. Conditions to Closing

6.1 Obligation of Buyer to Close. The obligation of Buyer to close the transactions contemplated hereby shall be subject to the fulfillment and satisfaction, prior to or at the Closing (unless an earlier date is specified), of the following conditions, or the written waiver thereof by Buyer:

(a) Representations and Covenants. The representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. Subject to SCDHEC and PSC approval of this Agreement, Seller shall have performed and complied in all other material respects with all covenants and agreements required by this Agreement to be performed or complied with by Seller on or prior to the Closing Date.

(b) No Injunction. No injunction or restraining order shall be in effect which forbids or enjoins the consummation of the transactions contemplated by this Agreement, no proceedings for such purpose shall be pending, and no federal, state, local or foreign statute, rule or regulation shall have been enacted after the date hereof which prohibits, restricts or delays the consummation of the transactions contemplated hereby.

(c) Approvals. On or prior to the Closing Date, unless otherwise agreed upon in writing by the parties, all governmental and third party approvals, consents, permits or waivers necessary for consummation of the transactions contemplated by this Agreement, and all Governmental Permits required for the operation by Buyer of the Transferred Systems, shall have been transferred to or obtained in form and substance reasonably satisfactory to Buyer.

(d) Material Adverse Change. No material adverse decline in the customer base of the Transferred Systems or in the condition of Tangible Personal Property comprising the physical equipment and components of the Transferred Systems, as determined by Buyer, shall have occurred.

(e) Due Diligence. On the Closing Date, Buyer shall be satisfied with the results of business, accounting and legal due diligence operations relating to the Transferred Systems in its sole discretion, subject to the As-Is Condition of the Property.

(f) Liens. All monetary liens and Liabilities affecting the Transferred Systems shall have been released in a manner satisfactory to Buyer.

Should Buyer determine that the conditions set forth above have not been met, upon written notice to Seller, Seller shall promptly refund the Earnest Money Deposit, and the parties hereto shall have no further obligations to one another except as otherwise expressly provided herein.

6.2 Obligation of Seller to Close. The obligation of Seller to close the transactions contemplated hereby shall be subject to the fulfillment and satisfaction by Buyer, prior to or at the Closing, of the following conditions, or the written waiver thereof by Seller:

(a) Representations and Covenants. The representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. Buyer shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by Buyer on or prior to the Closing Date.

(b) No Injunction. No injunction or restraining order shall be in effect which forbids or enjoins the consummation of the transactions contemplated by this Agreement and no federal, state, local or foreign statute, rule or regulation shall have been enacted which prohibits, restricts or delays such consummation.

(c) Approvals. On or prior to the Closing Date, unless otherwise agreed in writing by the parties, all governmental and third party approvals, consents, permits or waivers necessary for consummation of the transactions contemplated by this Agreement, and all Governmental Permits required for Seller to convey the Transferred Systems to Buyer shall have been transferred to or obtained in form and substance reasonably satisfactory to Seller.

Section 7. Indemnification

7.1 Indemnification by Seller. Seller shall indemnify and hold harmless Buyer and its members, managers, officers, employees, affiliates and agents, at all times from and after the Closing Date, against and in respect of all Losses incurred by such persons arising from or relating to: (i) any material breach of any of the representations or warranties made by Seller in the transaction documents or any other agreement, document or instrument delivered by Seller in connection with the Closing; (ii) any material breach of the covenants and agreements made by Seller in the transaction documents or any other agreement, document or instrument delivered by Seller in connection with the Closing; and (iii) the Liabilities.

7.2 Indemnification by Buyer. To the extent permitted by law, Buyer shall indemnify and hold harmless Seller and its officers, employees, affiliates and agents, at all times from and after the Closing Date, against and in respect of Losses incurred by such persons arising from or relating to: (i) any material breach of any of the representations or warranties made by Buyer in this Agreement or in the transaction documents or any other agreement, document or instrument delivered by Buyer in connection

with the Closing, (ii) any material breach of the covenants and agreements made by Buyer in the transaction documents or any other agreement, document or instrument delivered by Buyer in connection with the Closing, and (iii) the operation of the Transferred Systems following Closing. To the extent law would prevent Buyer from fulfilling any part of this indemnification, Buyer hereby covenants not to litigate, sue, or join in any action at law or in equity in any Court of jurisdiction against the Seller, its officers, employees, affiliates and agents for any such losses contemplated by such indemnification and Buyer warrants to defend in litigation with Seller against third parties seeking such Losses not otherwise permitted by law for Buyer to indemnify as contemplated herein.

Section 8. Miscellaneous

8.1 Termination. This Agreement may be terminated at any time prior to the Closing Date:

- (i) by mutual written consent of Buyer and Seller;
- (ii) by either party if Seller fails to obtain the Governmental Permits or such governmental approvals necessary to transfer the Transferred Systems to Buyer;
- (iii) by either Buyer or Seller if for any reason the Closing shall not have occurred with on or before the Closing Date (or such other date as may be mutually agreed by the parties) and;
- (iv) by either Buyer or Seller in the event that a condition to the terminating party's obligations to close the transactions contemplated by this Agreement shall become incapable of satisfaction; provided, however, that no party shall be entitled to terminate this Agreement in the event that the failure of the Closing to occur or any condition to Closing to be satisfied shall be attributable to such party's breach of this Agreement.

Upon termination, Escrow Agent shall promptly return the Earnest Money Deposit to Buyer.

8.2 Damage or Destruction of Assets. In the event that any loss or damage to or destruction of any of the Transferred Systems shall occur prior to the Closing, Buyer shall be entitled upon the Closing to all insurance proceeds, awards or other compensation payable in respect of such loss, damage or destruction, if any; provided, however, that if any material portion of the Transferred Systems is lost or destroyed or materially damaged prior to the Closing, Buyer shall have the option of either (i) accepting such proceeds, awards or compensation and proceeding with the Closing or (ii) terminating this Agreement.

8.3 Publicity. No press release or other public announcement concerning this Agreement or the transactions contemplated hereby shall be made without advance written approval thereof by Seller and Buyer, except as required by law. Both Seller and Buyer mutually agree to maintain continuing confidentiality concerning the underlying documents, data, communications and all related negotiations in good faith according to any matters except as required by law to be disclosed. Should this Agreement be terminated, the parties shall return information received promptly upon request in writing by either Seller or Buyer respectively.

8.4 Notices. Any and all notices or other communications or deliveries required or permitted to be given or made pursuant to any of the provisions of this Agreement shall be deemed to have been duly given or made for all purposes if (i) hand delivered, (ii) sent by a nationally recognized overnight courier for next business day delivery or (iii) sent by confirmed facsimile transmission as follows:

If to Buyer, at:

City of Cayce
1800 Twelfth Street
Cayce, SC 29171
Attention: John C. Sharpe, City Manager

with a copy to:

Turner, Padgett, Graham & Laney, P.A.
1901 Main Street, Seventeenth Floor
Columbia, South Carolina 29201
Attention: Lanneau Wm. Lambert, Jr., Esquire

If to Seller:

Midland Utility, Inc.
816 E. Main Street
Lexington, South Carolina 29072
Attention: Keith Parnell

with a copy to:

Elliott & Elliott, PA
721 Olive Street
Columbia, South Carolina 29205
Attention: Charles H. Cook, Esquire

or at such other address as any party may specify by notice given to the other party in accordance with this Section 8.4. The date of giving of any such notice shall be the date of hand delivery, the next Business Day after delivery to the overnight courier service, or the Business Day sent by confirmed facsimile transmission.

8.5 Counterparts. This Agreement may be executed in two or more counterparts (delivery of which may occur via facsimile), each of which shall be binding as of the date first written above, and, when delivered, all of which shall constitute one and the same instrument. A facsimile signature or electronically scanned copy of a signature shall constitute and shall be deemed to be sufficient evidence of a party's execution of this Agreement, without necessity of further proof. Each such copy shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

8.6 Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina without giving effect to any choice of law or conflict of law provision or rule (whether of the State of South Carolina or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of South Carolina. Should any clause, section or part of this Agreement be held or declared to be void or illegal for any reason, all other clauses, sections or parts of this Agreement shall nevertheless continue in full force and effect.

8.7 Entire Agreement; Amendments. This Agreement, together with all Exhibits and Schedules hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or

written, of the parties. This Agreement may not be amended or modified except by an instrument in writing signed on behalf of all of the parties.

8.8 Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, except that Buyer may (i) assign to one or more of its governmental affiliates the right to purchase the Transferred Systems, or (ii) assign its rights hereunder to any lender or other entity providing financing to Buyer.

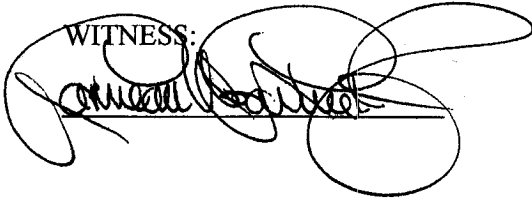
8.9 Mediation; Binding Arbitration. Seller and Buyer expressly agree that they shall seek mediation as their preferred method of handling claims, disputes, or other matters in question which may arise between them. The mediation process may be initiated by any party at such times as the parties have been unable to reach a mutually agreeable resolution to a problem within a reasonable period of time, and at such time as it appears that such a resolution is not likely to be obtainable. If at any time during the term of this Agreement any dispute, difference, or disagreement between or among any of the parties shall arise upon or in respect in the Agreement, and the meaning and construction hereof, and such dispute is not resolved by mediation, every such dispute, difference, and disagreement shall be referred to a single arbiter agreed upon by the parties, and resolved in accordance with such procedures as shall be agreed upon by the parties; provided, however, that if no single arbiter can be agreed upon within ten (10) days written notice by any party to the other party, an arbiter or arbiters shall be selected in accordance with the rules of the American Arbitration Association, and if the parties are unable to agree upon procedures for the resolution of their differences within ten (10) days written notice to the other party, such dispute, difference, or disagreement shall be settled by binding arbitration in accordance with the then prevailing commercial rules of the American Arbitration Association, and judgment upon the award rendered by the arbiter(s) may be entered in any court having jurisdiction thereof. Each party shall be responsible for its own attorneys' fees, costs and expenses of arbitrating, and the losing party shall pay the costs of the arbiter(s), unless, upon application of any party, the arbiter(s) determine(s) that a different allocation of the costs of arbitration [including without limitation the arbiter(s)' fees] is more equitable and so orders.

8.10 Litigation or Arbitration Expenses. The parties agree that all costs and expenses, including without limitation reasonable attorneys' fees, of the prevailing party and any costs of arbitration proceedings, in any litigation (including arbitration, if such procedure is followed) by a party to enforce such party's rights under this Agreement may be awarded by the court (or arbitrator) in its discretion.

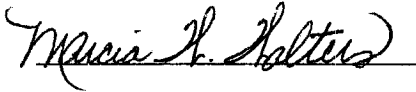
*[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK –
SIGNATURE PAGES FOLLOW]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed on the date and year first above written.

WITNESS:

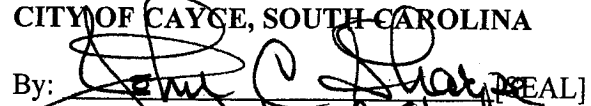


WITNESS:



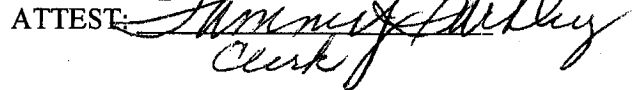
BUYER:

CITY OF CAYCE, SOUTH CAROLINA

By:  [SEAL]

Name: John C. Sharpe

Title: City Manager

ATTEST: 
Clerk

SELLER:

MIDLANDS UTILITY, INC.,
a South Carolina corporation


By:  [SEAL]

Name: KEITH G. PARWELL

Title: PRESIDENT

SCHEDULES

Schedule 2.1	Transferred Systems
Schedule 2.4	NPDES Permit and SCDHEC Consent Order
Schedule 3.2	Consents and Approvals
Schedule 3.3	Violations
Schedule 3.5	Encumbrances/Liabilities
Schedule 3.6	List of Insurance
Schedule 3.7	Governmental Compliance with Laws
Schedule 3.8	Litigation
Schedule 3.9	Customer Lists
Schedule 3.10	List of Contracts
Schedule 3.11	No Adverse Effects or Changes
Schedule 3.12	Sewerage System Map
Schedule 5.10	Existing Legal Actions to be Dismissed


Buyer

Initials


Seller

Schedule 2.1

Transferred Systems

All of Seller's right, title and interest in and to the following Seller's Transferred Systems (specifically excluding any treatment facilities) subject to the As-Is Conditions provisions of the Agreement, specifically including the following:

A. Bellemeade Subdivision: Identified as "A" on the Sewerage System Map

The entire sewerage collection system of the BELLEMEADE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, which specifically includes, a 50'x50' pump station site to be selected from the existing 1.25 acre treatment plant lot described in plat prepared of Midlands Utility, Inc., by Carolina Surveying Services, Inc., dated November 11, 2003; Project 2003273. (This conveyance specifically excludes the lagoon treatment facility.)

B. PITT Stop & Maggie Mays Restaurant: Identified as "B" on the Sewerage System Map

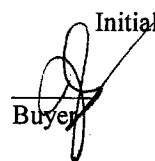
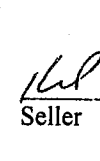
The entire sewerage collection system of the PITT Stop and, Maggie Mays Restaurant in Lexington County, including all pumps, pipes, manholes, valves, controls and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, which specifically includes the 3" force main located on SC DOT right-of-way. Beginning at a manhole on Miranda Road intersecting Charleston Highway, then turning southeast along Charleston highway then turning North onto Rolling Meadows Lane. The force main is located and identified by record drawings by HPG & Company "sewer service to Cheap O's Truck Plaza." Project No. 97065 dated October 1997.

C. Charwood Subdivision: Identified as "C" on the Sewerage System Map

The entire sewerage collection system of the CHARWOOD SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved. The Charwood force main begins near the intersection of Sawgrass Court and Bachman Road, turns northwest along Bachman Road, thence northeast along Fish Hatchery Road and terminating at the Arborgate pump station. Together with individual pump station for condominiums on Bachman Road into 4" force main.

D. Sawgrass Hiltons: Identified as "D" on the Sewerage System Map

The entire sewerage collection system of the SAWGRASS HILTONS in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved.

Initials

Buyer

Seller

E. Rockford Place:

Identified as "E" on the Sewerage System Map

The entire sewerage collection system of the ROCKFORD PLACE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved. The entire sewage system of the Rockford Place subdivision in Pine Ridge in Lexington County is shown on record drawings by U.S. Group, Job No. 94307, dated 7/22/95 and U.S. Group Job No. 97399-54 dated 5/20/97.

F. Parkwood Subdivision:

Identified as "F" on the Sewerage System Map



The entire sewerage collection system of the PARKWOOD SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved. The following sewer sub-systems are served by Parkwood Subdivision sewer system and are also owned by Midlands Utility Inc.

1. Mills Corner - Area near the intersection of Oak Drive and US Highway NO. 1 in Lexington County in the Oak Grove Community. Site consists of a Piggly Wiggly Store and a commercial strip mall. As shown on Record Drawings by Chao & Associates. Project No. 391624 date 1995.
2. Kentucky Fried Chicken, Area along the South Side of US No. 1 in the Oak Grove Community of Lexington County. This project also includes an eight-inch main crossing to the North side of US No.1 serving the No.1 Truck Sales parcel. As shown on site construction plans for KFC Restaurant Sylvan Food systems dated July 1996 by W.K. Dickson project No. 96565.30.
3. Congaree Home Center, formerly US Route 1 M/H sales office. Located on the South side of US No.1 near Dickeret Drive. As shown on Plans by V&K Design Group, Inc.
4. Kenny Blake Property (warehouses) connects to Mills Corner. As shown on Record drawings by HPG & Company. Project No. 98094.
5. Gordon L. Amick MHP, 10 REU. MHP owns lines inside MHP; Wastewater is delivered to Parkwood Pump Station.
6. Flow is also received from Johnny's Bar which is located adjacent and East of Mills Corner on US Highway No.1.

G. Timberland Subdivision:

Identified as "G" on the Sewerage System Map

The entire sewerage collection system of the TIMBERLAND RESIDENTIAL AND COMMERCIAL SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, as shown on "Overall Sanitary Sewer Plan" by Power Engineering Co. dated 6/4/01, Job No. 2333, and Timbermill Drive commercial subdivision includes Frank's Carwash, Rick Jackson DDS Office.

Initials

Buyer

Seller

H. Montclaire Subdivision:

Identified as "H" on the Sewerage System Map

The entire sewerage collection system of the MONTCLAIRE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, as shown on sanitary sewer Record Drawings by Surveying & Mapping Service dated 11/29/95, Job No. 95022.

I. New Hope:

Identified as "I" on the Sewerage System Map

The entire sewerage collection system of the NEW HOPE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved. Located at intersection of Ermine Road and Delree Street near West Columbia. In Lexington County, as shown on plans from Power Engineering Job No. 1165 dated 7/6/94, EXCLUDING the lateral lines to the buildings.

J. Westgate Subdivision:

Identified as "J" on the Sewerage System Map

The entire sewerage collection system of the WESTGATE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved.

K. Stonewood Subdivision:

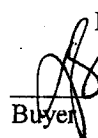

Identified as "K" on the Sewerage System Map

The entire sewerage collection system of the STONEWOOD SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, as shown on record drawings by Civil Engineering of Columbia, as job No. 91109 dated 1/11/93.

L. Darby Place Subdivision:

Identified as "C" on the Sewerage System Map

The entire sewerage collection system of the DARBY PLACE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, as shown on record drawings by Cox & Dinkins, Project No. 0107, date 6/1/87, including, a 0.35 acre pump station site and easements as shown on a plat for Richard P. Conly, Jr. by Site Consultants, Drawing No. D85-102 dated 11/20/86 and deeded to Midlands Utility, Inc.

Initials
 Buyer
 Seller

M. Foxglen Subdivision:



Identified as "M" on the Sewerage System Map

The entire sewerage collection system of the FOXGLEN SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, as shown on recording drawings by Site Consultants, Drawing No. 90746 dated 3/12/92, including, a sewer main extension to serve a portion of homes located on Stockman Drive, located off of South Woodside Parkway, as shown on "Sanitary Sewer Extension to Serve a Portion of Stockman Drive"; Record Drawings, by Midlands Utility, Inc. dated 8/20/93.

N. Six Mile Creek:

The entire sewerage collection system of the SIX MILE CREEK INTERCEPTOR in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, as shown on Phase I & II Record Drawings by Midlands Utility, Phase I & II describe project. DHEC Permit 14,782 dated 2/1990. The following are served by Six Mile Creek Interceptor Gravity Sewer Phase I & II:

1. Jim Judy Sewer Main – Located on South side of US No. 1 Between I-26 and the Six Mile Creek. Described by Midlands Utility/DHEC Permit 18,213-DW
2. Applebee's connected to above sewer main and extended the sewer. Shown on Record Drawings by Hussey, Gay, Bell & DeYong. Job No. 301038114E dated 4/29/02.
3. Lexington Recreation Commission- Project is located off of Methodist Park Road in Lexington County. Serves the Restrooms at the ball Park. Identified by DHEC Permit 18,688 DW. Record Drawings by Midlands Utility.
4. Agape House – located on the South side of Leaphart Road near I-26 in Lexington County. System is described by "Record Drawing by Midlands Utility date 2/21/91". Terminates near Agape Drive and Leaphart Road.
5. Henwood S/D- Located behind Hendrix Mobile Home Park off of Leaphart Road. Record Drawings by Palmetto Company. SL Permit #16849 dated 8/6/90.
6. Hendrix MHP – do not own system but receives flow. EXCLUDES lateral lines or mobile homes on site.
7. Quinton Commons Subdivision- Located near the intersection of Methodist Park Road and Romell Street near West Columbia in Lexington County. Described by Record Drawings by HB engineering dated 1/14/03. Project No. 01134
8. Old Lowe's sewer on North side of U.S. No. 1 between the Six Mile Creek and Interstate I-26 in Lexington County. Popeye's Chicken, Carolina Pottery and West Columbia Chiropractic are presently connected to this main. Described by Record Drawings by Midlands Utility dated 1/27/92, DHEC Permit No. 17.314 DW.

Initials
Buyer  Seller 

9. Bruno's Sewer Main (now occupied by Recreation Factory Outlet). Project connected to the termination of Old Lowe's sewer main described above and extends to a point near the building. As shown on Record Drawings by Civil Engineering of Columbia, Job No. 92066.

10. Sewer Extension to serve U-Haul International. Project connected to the termination of the Bruno's sewer main described above and extends to a point East of the intersection of Woodside Parkway and Orchard Drive in Lexington County. As shown on Record Drawings by Power Engineering, Job No. 0876 dated 12/2/93.

11. Sewer service to Oswalt's Mobile Park. Located on Youth Drive off of Methodist Park Road near West Columbia in Lexington County. Midlands does not own or operate these internal mains or services.

O. Six Mile Creek Interceptor Phase III:

Project begins at station 22 + 14.02 of Six Mile Creek Interceptor Phase I & II and extends 15" sewer for a distance of 792.86 feet with 4 MH to a location near Methodist Park Road; then extending with 12" sewer for a distance of 2,947.16 feet with 15 MH; terminating at the McGregor Downs Mobile Home Park, as show on Record Drawings by Midlands Utility, Six Mile Creek Interceptor, Phase III dated 3/18/92.

1. Sewer is collected from McGregor Downs MHP and Lazy Pines Mobile Home Parks. EXCLUDES internal mains or individual service in these mobile home parks.

2. Sewer Main for two customers Jim Judy and Robert Peele. Beginning at approximate station 28+04 of Six Mile Cree interceptor and extending South, across U.S. Hwy. No.1 near the current Congaree Home Center. Described on Record Drawings by V&K Design Group, File No. 9614 dated July 18, 96.

3. Hess Station line beginning at approximate 9+25 of Six Mile Creek interceptor, Phase III, and extending South and ending near U.S.1 and Methodist Park Road. Described in Record Drawings by Windmill Engineering Solutions, Inc. dated June 2001, project No. SC-009.

4. Woodberry Plaza connection. Beginning at approximate Station of 36+00 of Six Mile Creek interceptor, Phase III, ending at the Woodbury Plaza. Described in Record Drawings by Cox and Dinkins, Inc., dated 2/10/93, project No. 0350.



5. Woodberry Partners sewer extension beginning at approximate station of 35+00 of Six Mile Creek interceptor, Phase III and extending South across creek and terminating on Edens Woodberry Partners 88 property. A six-inch service main connected to the terminating manhole is property of Edens Woodberry Partners 88 property. Sewer main services Super Suds, Carwash and Wendy's restaurant. Described on Record Drawings by Cox & Dinkins, Inc., dated 1/18/96, project No. 0350A.

Seller owns and maintains only the 8" main and manholes.

P. Arborgate Subdivision:

Identified as "D" on the Sewerage System Map

The entire sewerage collection system of the ARBORGATE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with

Initials
 Buyer
 Seller

the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, including the 6" force main is located on SC DOT right-of-way of Fish Hatchery Road then turning north along SCE&G right-of-way until connection with the city of Cayce system at McQueen Street and the Extension to serve South Carolina National Guard Armory (as to Pine Ridge Armory) as shown on record drawings by Landtech, Inc., Job No. 9227 date 10/8/93.

Q. Mallard Trace Subdivision:

Identified as "E" on the Sewerage System Map

The entire sewerage collection system of the MALLARD TRACE SUBDIVISION in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved, as shown on record drawings No. D-86-231 dated 7/26/88 by Site Consultants.

R. Harvest Glen (U.S. Highway 1 System):


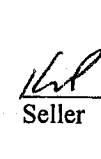
The entire sewerage collection system of the HARVEST GLEN (U.S. Highway 1 System) in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved.

S. Spring Hill Patio Homes (Pineridge System):

The entire sewerage collection system of the SPRING HILL PATIO HOMES (Pineridge System) in Lexington County, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved.

T. Belmont Estates:



The entire sewerage collection system of the BELMONT ESTATES in Lexington County, a subdivision currently under development by Dale Ness, including all pumps, pipes, manholes, valves, controls, and connections used in connection with the operation of such sewerage system, all easements, rights-of-way, together with the rights of access, ingress and egress for the installation, maintenance and operation of such system in those areas over which utilities easements have been reserved. This system will also serve several commercial properties including Total Comfort.

Initials
 Buyer
 Seller

Schedule 2.4

**NPDES Permit and SCDHEC Consent Order
and Closeout of Wastewater Treatment Systems**

[see attached]

Initials	
	
Buyer	Seller

BOARD:
Elizabeth M. Hagood
Chairman
Edwin H. Cooper, III
Vice Chairman
L. Michael Blackmon
Secretary



C. Bud Hunter, Commissioner
Promoting and protecting the health of the public and the environment.

September 20, 2005

BOARD:
Carl L. Brazell
Steven G. Klander
Phil C. Aughton, III
Coleman P. Buckhouse, MD

Mr. Charles Cook
Elliott and Elliott
721 Olive Street
Columbia, SC 29205

RE: PSC Information
DHEC Wastewater Discharge Permit

Dear Mr. Cook:

This letter serves to confirm that the following system has a valid permit to operate from DHEC.

Bellemeade S/D WWTP SC0030988

I can be reached at 803-898-4157 or at debessjp@dhec.sc.gov.

Sincerely,

Jeffrey P. deBessonet, P.E., Director
Water Facilities Permitting Division

cc: Keith Parnell, Midlands Utilities

BOARD:

Elizabeth M. Hagood
ChairmanEdwin H. Cooper, III
Vice ChairmanL. Michael Blackmon
Secretary

C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment.

BOARD:

Carl L. Benzell

Steven G. Kiser

Paul C. Aughtry, III

Coleman F. Buckhouse, MD

August 17, 2005

Keith Parnell, President
Midland Utility Company.
Post Office Box 887
Lexington SC 29071

RE: NPDES permit SC0030988: Bellemeade Subdivision, Lexington County

Dear Mr. Parnell:

This office received this February an application package for renewing the above discharge permit and the receipt was acknowledged by our letter dated February 11th.

The permit was originally issued for a period of less than five years. We have determined that an extension of the current expiration date is appropriate in this situation.

Consequently, the existing permit is being *extended* by one (1) year instead of being revoked & reissued for a period of five years; i.e., the permit that will be placed on public notice will be same as the existing permit except for the cover page that defines the expiration date.

Please feel free to contact Mr. Murali Koppa at 803 / 898-4220 with any related questions.

Sincerely,

Michael J. Montebello, Manager
Domestic Wastewater Permitting Section
Water Facilities Permitting Division

mck

cc: Region 3 EQC Columbia Office (w/ attachment)
Murali Koppa, BoW
Jeffrey deBessonnet, BoW
Central Midlands Council of Governments(w/ attachment)
BoW Enforcement (w/ attachment)
NPDES Administration, BoW

Attachment: Cover page only of above NPDES permit

BOARD:
Elizabeth M. Hagedorn
Chairman
Edwin H. Cooper, III
Vice Chairman
L. Michael Blackmon
Secretary



C. Ed Hagan, Commissioner
Promoting and protecting the health of the public and the environment.

September 14, 2005

BOARD:
Carl L. Beach
Steven G. Kinner
Paul C. Aughton, III
Coleman E. Buckhouse, MD

Certified Mail – 7005 1160 0004 4162 0012
Return receipt Requested

Mr. Randy Mitchell
Chairman
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RE: Midlands Utility, Inc.
Docket NO. 2005-172S
Order NO. 2005-479

Dear Mr. Mitchell:

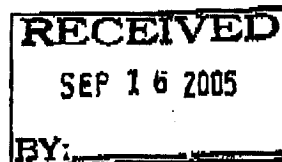
In response to the petition by Midlands Utility, Inc. to the Public Service Commission of South Carolina, the Department has completed its review of the Midlands Utility, Inc. enforcement files. Currently Midlands Utility, Inc. is in compliance with all of the Orders with the Department.

If you have any questions, please contact me at (803) 898-3820 or by e-mail at richmoti@dhec.sc.gov.

Sincerely,

Tom J. Richmond
Water Enforcement Division
Bureau of Water

cc: Charles K. Parnell, P.E., HPG and Company, Inc.



BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET No.: _____

IN RE:

Application of Midlands Utility, Inc.)
Requesting Approval of a Contract for)
the Transfer and Sale of Certain of Its)
Sewerage Collection Systems within)
Lexington County, South Carolina to)
the CITY OF CAYCE.)

EXHIBIT 2



CITY OF CAYCE

April 4, 2006

Mayor
Avery B. Wilkerson, Jr.

Mayor Pro-tem
Richard N. Myers

Council Members
James E. Jenkins
Kenneth D. Jumper
Robert E. Malpass

City Manager
John C. Sharpe

Public Safety
Charles E. McNair

South Carolina Public Service Commission
101 Executive Center Drive, Saluda Building
Columbia, SC 29210

Re: Application of Midlands Utility, Inc. for Approval of Purchase Agreement
with City of Cayce

Dear Commissioners:

I have been authorized by the City Council of the City of Cayce to provide you with this letter in support of the application of Midlands Utility, Inc. for approval of its Purchase Agreement with the City of Cayce. Approval of the Purchase Agreement will allow Midlands and the City to consummate their agreement for the City to acquire Midlands Utility's wastewater collection systems in Lexington County. The City Council of Cayce views this acquisition as a valuable service to the public and to the interests of the public.

The City has the proven and established technical and financial ability with capacity to provide wastewater collection services to the areas and customers served by the Midlands Utility collection systems. As you know, the City is a designated regional wastewater treatment provider for Lexington County. With the exception of the Bellemeade subdivision (which currently has a Midlands Utility wastewater treatment facility), the Midlands Utility collection systems that are the subject of the Purchase Agreement currently discharge into the Cayce wastewater treatment system.

Additionally, the City believes that the system acquisitions under the Purchase Agreement will have a very positive effect on economic development in Lexington County. The expansion of the Cayce wastewater system will open exciting opportunities for residential and commercial growth in the County.

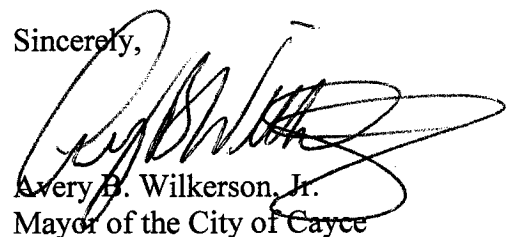
As you know, the rates for utility service provided by the City are not subject to Commission approval. However, in an effort to assure a smooth transition for Midlands' customers to City service, the City commits to establish a new wastewater service rate classification for former Midlands customers that would be equal or close to the collection and treatment rates and charges they paid to Midlands.

Page 2
Public Service Commission
April 4, 2006

Under that new rate classification, the former Midlands customers, for a one-year period, would pay for City wastewater service (collection and treatment) at the same rate approved by the PSC for Midlands' customers whose wastewater is collected and treated by Midlands' own wastewater treatment facilities. With the new City rate classification, the former Midlands customers would pay a rate equivalent to the Midlands' monthly service charge of \$28.43 (for residential mobile homes) or \$37.90 (for single family residential, residential apartments per unit, and commercial per REU). As we understand it, this new City rate also would be close to the average collection plus treatment charge now paid by Midlands customers whose wastewater is not treated by Midlands. Additionally, those Midlands customers who are receiving wastewater treatment through Cayce's treatment system at the time of the closing of the purchase will not be required to pay any new tap fees or capacity fees. As mentioned, the City commits to keep this new rate classification in effect for at least one year from the date of closing of the purchase.

The City Council hopes that the Commission and other interested parties will share the City's view that the sale and transfer of the Midlands Utility collection systems to the City will serve the public interest.

Sincerely,

A handwritten signature in black ink, appearing to read 'Avery B. Wilkerson, Jr.', is written over the typed name and title.

Avery B. Wilkerson, Jr.
Mayor of the City of Cayce

Cc: Mr. Willie Morgan, State of SC Office of Regulatory Staff

ORIGINAL

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKETING DEPARTMENT

NOTICE OF FILING

DOCKET NO. 2006- - S

Midlands Utility, Inc. (Midlands) pursuant to 26 S.C. Code Ann., Regs. 103-504 and other applicable rules and regulations of the Public Service Commission of South Carolina (Commission) has filed an Application requesting the Commission to approve a contract with the City of Cayce for the sale and transfer of certain wastewater treatment facilities and sanitary sewer systems in Lexington County. The transferred systems serve Bellemeade Subdivision, PITT Stop & Maggie Mays Restaurant, Charwood Subdivision, Sawgrass Hiltons, Rockford Place Subdivision, Parkwood Subdivision, Timberland Subdivision, Montclair Subdivision, New Hope Subdivision, Westgate Subdivision, Stonewood Subdivision, Darby Place Subdivision, Foxglen Subdivision, Six Mile Creek Interceptor Phase I & II, Six Mile Creek Interceptor Phase III, Arborgate Subdivision, Mallard Trace Subdivision, Harvest Glen (U.S. Highway 1 System), Spring Hill Patio Homes (Pineridge System) and Belmont Estates Subdivision.

Midlands has agreed to transfer certain wastewater treatment facilities and sanitary sewer systems as fully set forth in the Agreement which is attached as "Exhibit A" in the Application filed of record constituting that certain Purchase Agreement for Transferred Systems between the City of Cayce, South Carolina and Midlands Utility, Inc. dated as of September 21, 2005. The transfer contemplated, after regulatory approvals, will be a final transfer and sale of the wastewater treatment facilities and sanitary sewer systems and, according to the Application, the City of Cayce assumes liability attendant to the operation of the wastewater treatment facilities and sanitary sewer systems concerned herein. Moreover, the Application contemplates that the sanitary sewer treatment rates of Midlands' customers concerned will not be affected for a period of one (1) year from the date of the transfer of the wastewater treatment facilities and sanitary sewer systems as the correspondence of Avery B. Wilkerson, Jr., Mayor of the City of Cayce, dated April 4, 2006, attached to the Application as Exhibit B so states.

A copy of the Application is on file in the offices of the Commission, 101 Executive Center Drive, Columbia, South Carolina 29210, posted on the Commission's web site at www.psc.sc.gov, and is available through Counsel for Midlands Utilities, Inc., Scott Elliott, Esquire, Elliott & Elliott, PA, 721 Olive Street, Columbia, South Carolina 29205.

A public hearing, if scheduled, will be held in Columbia, South Carolina, in the offices of the Commission at the above address, for the purpose of receiving testimony and other evidence from all interested parties regarding this Application. The time and date of this hearing will be furnished to all interested parties at a later date.

Any person who wishes to participate in this matter, as a party of record with the right of cross-examination should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before **May __, 2006**, and indicate the amount of time required for his presentation. Please include an email address for receipt of future Commission correspondence in the Petition to Intervene. **Please refer to Docket No. 2006- -S.**

Any person who wishes to testify and present evidence at the hearing, if scheduled, should notify the Docketing Department in writing at the address below, the Office of Regulatory Staff at Post Office Box 11263, Columbia, South Carolina 29211, and Scott Elliott, Esquire, at the above address, on or before **May __, 2006**, and indicate the amount of time required for his presentation. **Please refer to Docket No. 2006- -S.**

Any person who wishes to be notified of the hearing, but does not wish to present testimony or be a party of record, may do so by notifying the Docketing Department in writing at the address below on or before **May __, 2006**. **Please refer to Docket No. 2006- -S.**

PLEASE TAKE NOTICE: Any person who wishes to have his or her comments considered as part of the official record of this proceeding **MUST** present such comments, in person, to the Commission during the hearing.

Persons seeking information about the Commission's Procedures should contact the Commission at (803)896-5100.

Public Service Commission of South Carolina
Attn: Docketing Department
Post Office Drawer 11649
Columbia, South Carolina 29211

April 25, 2006

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the Application for Approval of Contract on behalf of Midlands Utility, Inc., indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Application of Midlands Utility, Inc., Requesting Approval of a Contract for the Transfer and Sale of Certain of Its Sewerage Collection Systems within Lexington County, South Carolina to the City of Cayce.

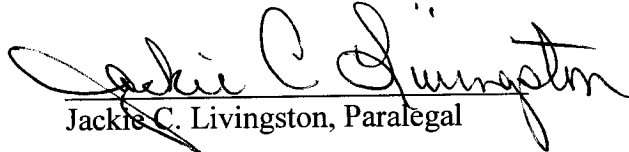
Docket No.:

PARTIES SERVED:

C. Dukes Scott
Executive Director
ORS
P. O. Box 11263
Columbia, SC 29211

Florence P. Belser, Esquire
General Counsel
ORS
P. O. Box 11263
Columbia, SC 29211

PLEADINGS: Application for Approval of Contract


Jackie C. Livingston, Paralegal

April 25, 2006